

Message Text

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ACTION EUR-12

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SECDEF WASHDC
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CINCLANT NORFOLK VA
USLOSACLANT NORFOLK VA
USNMR SHAPE BE
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L NATO 03310

E.O. 11652: GDS
TAGS: DPC, MPOL, NATO, UK
SUBJECT: MINISTERIAL GUIDANCE 1977; RESOURCES

REF: (A) USNATO 2922 (DTG 091624Z MAY 77)

(B) STATE 107370 (DTG 122345Z MAY 77)

1. THERE FOLLOWS IN PARA 4 BELOW TEXT OF MAY 13 LETTER FROM UK DEFAD (PETERS) TO US DEFAD ON MINISTERIAL GUIDANCE RESOURCE FORMULA. LATTER RESPONDED INFORMALLY TO PETERS THAT WE WOULD "SEND IT ALONG," BUT THAT, IN OUR VIEW, THE "COMPROMISE" IS FAR FROM WHAT WE HOPED: (A) IT IS MUCH TOO SOFT; (B) IT CONTAINS AN ESCAPE HATCH THROUGH WHICH ANY COUNTRY COULD CLAIM THAT ANY REAL INCREASE FILLS THE BILL; AND (C) IT WOULD FAIL ULTIMATELY TO FACE UP TO THE RESOURCES QUESTION BY DEFERRING THE REALLY TOUGH DECISIONS TO A LOWER LEVEL AND A LATER DATE.

2. PETERS INDICATED HIS PERSONAL DESIRE TO WORK WITH US CLOSELY ON ADDITIONAL POSSIBLE COMPROMISES, THOUGH HE IS CONFIDENTIAL

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NOT HOPEFUL THEY WOULD BE ACCEPTED. HE ADDED, HOWEVER, THAT ASYG MUMFORD, BASED ON HIS DISCUSSIONS WITH THE MINISTRY STAFF DURING THE SUMMIT, WAS OPTIMISTIC THAT AN ACCEPTABLE COMPROMISE ON 3 COULD BE REACHED.

3. OUR VIEWS ON THIS IMPORTANT ISSUE ARE CONTAINED IN USNATO 3273.

4. BEGIN TEXT OF PETERS' MAY 13 LETTER:

MINISTERIAL GUIDANCE: RESOURCES FOR DEFENCE

1. WHEN YOU CAME TO SEE ME LAST MONDAY WE DISCUSSED PARAGRAPH 42 OF THE DRAFT MINISTERIAL GUIDANCE 1977 ATTACHED TO DPC/D(77)6. THIS IS THE PARAGRAPH IN THE SECTION ON "RESOURCES FOR DEFENCE," WHICH INDICATES WHAT SORT OF ANNUAL INCREASE IN REAL TERMS IN DEFENCE EXPENDITURE IS NEEDED.

2. FOLLOWING OUR MEETING, I SENT TO LONDON THE ALTERNATIVE FORMULA WHICH WE HAD DISCUSSED, TAKING ACCOUNT OF THE OPTIONS IN THE PRESENT DRAFT GUIDANCE. THIS HAS BEEN CAREFULLY CONSIDERED BY MR. MULLEY AND THE OTHERS CONCERNED IN LONDON, BUT THE CONCLUSION HAS BEEN REACHED THAT SUCH A FORMULA WOULD NOT ADDRESS WHAT IS SEEN AS THE FIRST TASK, NAMELY FOR COUNTRIES SPENDING RELATIVELY SMALL PROPORTIONS OF GDP ON DEFENCE TO RAISE THEIR DEFENCE BUDGETS TO A PROPORTION OF GDP CLOSER TO THAT ATTAINED BY THE US AND THE UK. TAKING ACCOUNT OF THIS AND OTHER CONSIDERATIONS, MR. MULLEY NOW PROPOSES THAT PARAGRAPH 42 OF THE GUIDANCE SHOULD BE REWORDED AS FOLLOWS:

"ACCORDINGLY, IF A CONTINUED DETERIORATION IN THE NATO/WARSAW PACT BALANCE IS TO BE AVOIDED, AN ANNUAL INCREASE IN REAL TERMS (I.E., AFTER FULL COMPENSATION FOR THE

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INFLATIONARY IMPACT OF RISING PAY AND PRICE LEVELS) SHOULD BE ADOPTED AS THE AIM FOR ALL MEMBER COUNTRIES. THE ANNUAL INCREASE SHOULD BE OF UP TO 5 PERCENT, HAVING REGARD TO THE SIZE OF THE PRESENT FORCE CONTRIBUTIONS OF MEMBER COUNTRIES AND THEIR ECONOMIC STRENGTHS. IN SOME CASES AN INCREASE OF A HIGHER ORDER WILL BE NEEDED: IN OTHERS ECONOMIC FACTORS WILL AFFECT WHAT CAN BE ACHIEVED. SPECIFIC TARGET FIGURES FOR EACH COUNTRY WILL NEED TO BE DETERMINED IN THE NORMAL COURSE OF THE DEFENCE PLANNING REVIEW."

THE LAST SENTENCE OF PARAGRAPH 42 WOULD REMAIN UNCHANGED. THE FIRST AND LAST SENTENCE OF PARAGRAPH 43 WOULD BE DELETED.

3. I WOULD BE GRATEFUL IF YOU WILL PASS THIS PROPOSAL TO SECRETARY BROWN, SO THAT MR. MULLEY CAN DISCUSS IT WITH HIM WHEN THEY MEET AT THE HYATT REGENCY HOTEL AT 6 PM ON MONDAY EVENING. END TEXT. BENNETT

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